



Employees' Retirement Board of Rhode Island
Monthly Meeting Minutes
Wednesday, February 12, 2014
9:00 a.m.
2nd Floor Conference Room, 50 Service Avenue

The Monthly Meeting of the Retirement Board was called to order at 9:09 a.m. Wednesday, February 12, 2014, in the 2nd Floor Conference Room, 50 Service Avenue, Warwick, RI.

I. Roll Call of Members

The following members were present at roll call: General Treasurer Gina M. Raimondo; Vice Chair William B. Finelli; Gary R. Alger, Esq.; Daniel L. Beardsley; Frank R. Benell, Jr.; Michael R. Boyce; John P. Maguire; John J. Meehan; Thomas A. Mullaney; Claire M. Newell; Louis M. Prata and Jean Rondeau.

Also in attendance: Frank J. Karpinski, ERSRI Executive Director and Attorney Michael P. Robinson, Board Counsel.

Recognizing a quorum, Treasurer Raimondo called the meeting to order.

II. Approval of Minutes

On a motion by Gary R. Alger, Esq. and seconded by John P. Maguire, it was unanimously

VOTED: To approve the draft minutes and executive session minutes of the January 8, 2014 meeting of the Employees' Retirement System of Rhode Island.

III. Chairperson's Report

Treasurer Raimondo informed the Board that there has been no updates on the pension reform litigation other than the parties are still in process of working out the details of the mediation. Treasurer Raimondo also informed the Board that the previously scheduled press conference for today has been postponed. She noted the parties are still working toward a possible settlement. The Treasurer said the Board will continue to go through the agenda and noted that there are certain legal issues that will be discussed in Executive Session pursuant to the Court's confidentiality order.

The Treasurer then asked Chief Investment Officer Anne-Marie Fink to provide an update on investments for the last quarter. Ms. Fink said she would be discussing three areas; namely, a performance update on the defined benefit plan, a performance update on the defined contribution plan and a brief overview of the recent SIC meeting particularly the work that the general consultants did on the asset allocation.

Ms. Fink noted a fourth quarter 4.7% gain in the DB Plan. She said there was better economic growth and the Federal Reserve took steps to taper the extraordinary measures they have been engaging in to lower interest rates, both of which led to strong equity performance.

Ms. Fink then said the fiscal year to date return is up 9.7% showing numbers at the half-year mark exceeding the 7.5% annual target. For the calendar year, the fund is up 14.1% due to strong equity markets and the SIC's decision to limit exposure to core fixed income, which was down 2% for the year.

Ms. Fink noted that risk, measured by standard deviation, was at 9.5%, which is less than the benchmark of 10.5%. Ms. Fink reminded the Board that lowering risk in order to generate strong returns over time is working. She said portfolio performance is essentially in line with the benchmark over the quarter, the fiscal year-to-date and the calendar year and said the efforts taken by the SIC are working. However, Ms. Fink said that bonds remain very low at 2.7% for a 10-year treasury and that U. S. stocks had a great year last year but are not inexpensive. She said U.S stocks rose 33% in the calendar year and now are above long-term averages on a price to earnings basis.

Ms. Fink also said the 10-year performance is 6.9%, ahead of the SIC's benchmarks and a bit behind the 7.5% targeted return.

Ms. Fink asked the Board to refer to the SIC Report in the Board book for the returns of the DC Plans. She said she was pleased with the returns and apprised the Board that assets in the DC Plan are over \$200 million as of a week ago. Ms. Fink told the Board that the DC Plan is becoming a larger part of participant's portfolios.

Ms. Fink then discussed the findings from the last SIC meeting. She said the general investment consultant PCA provided an asset allocation review. The SIC then reviewed what opportunities are available in the different asset classes and discussed how to allocate funds to them. She noted that the SIC looked at all of the asset classes considering expected return, expected risk and expected correlation between the different asset classes. PCA then developed an "efficient frontier", which is an ideal portfolio at varying levels of risk. Ms. Fink said that the analysis revealed the Fund's actual allocation was very close to the ideal portfolio and confirmed that the current asset allocation is appropriate. Ms. Fink noted that none of the target portfolios produced an expected return as high as 7.5%, which is with ERSRI's actuary GRS 30-year targeted return.

Lastly, as an example of how volatile markets are, Ms. Fink cited an interesting statistic from PCA's analysis. Over the last 87 years, US equity markets have averaged a 12% return. However, only in 7% of those years was the return between 10% to 15%. The vast majority of the time, i.e. 93%, returns were significantly above or below the average.

Treasurer Raimondo commended Ms. Fink and her staff on the work and mentioned the all-day training seminar at the Alton Jones campus at URI where she led the SIC through a review of the entire portfolio accompanied by all of the investment consultants.

IV. Executive Director's Report

Director Karpinski apprised the Board that they were in possession of the January 31, 2014 Pension Application Report and the Disability Subcommittee Report.

The Director noted he had sent an email last evening that the Legislative Subcommittee meeting for today was canceled.

Director Karpinski noted the Report of Contributions in the Board book and said that all of the contributions, with the exception of Central Coventry Fire District, are now current.

V. Administrative Decisions

None this month

VI. Approval of the January Pensions as Presented by ERSRI

On a motion by Frank R. Benell, Jr. and seconded by Gary R. Alger, it was unanimously

VOTED: To approve the January pensions as presented.

VII. Legal Counsel Report

Attorney Robinson suggested that a motion would be appropriate for the Board to convene into Executive Session to discuss matters identified on the agenda involving litigation pending against the Retirement Board, and for the Discussion and Consideration of Pending Pension Reform Litigation pursuant to Rhode Island General Laws section §42-46-5 (a)(2).

Consistent with Rhode Island General Laws section §42-46-5 (a)(2), a motion was made by Jean Rondeau and seconded by Frank R. Benell, Jr., to convene the Board in Executive Session to discuss the identified litigation matters involving the Board.

A roll call vote was taken to enter into Executive Session, the following members were present and voted Yea: General Treasurer Gina M. Raimondo; Vice Chair William B. Finelli; Gary R. Alger, Esq.; Daniel L. Beardsley; Frank R. Benell, Jr.; Michael R. Boyce; John P. Maguire; John J. Meehan; Thomas A. Mullaney; Claire M. Newell; Louis M. Prata and Jean Rondeau. It was unanimously

VOTED: To convene the Board in Executive Session pursuant to Rhode Island General Laws section §42-46-5 (a)(2) to discuss matters identified on the agenda involving pending litigation against the Board and for Discussion and Consideration of Pending Pension Reform Litigation involving the Board.

[Executive Session]

The Board thereafter convened in executive session.

[Return to Open Session]

Upon returning to open session, Board Counsel Michael P. Robinson noted for the record that three votes had been taken in executive session. The first was to remand the matter of *Edward J. Young vs. ERSRI* back to the Disability Subcommittee for further findings of fact and conclusions of law consistent with Judge Nugent's recent decision.

On a motion by John P. Maguire and seconded by Frank R. Benell, Jr., it was unanimously,

VOTED: To remand the matter of *Edward J. Young vs. ERSRI* back to the Disability Subcommittee for further findings of fact and conclusions of law consistent with Judge Nugent's recent decision.

The second roll call vote, on a motion by Jean Rondeau and seconded by Frank R. Benell, Jr., it was unanimously,

VOTED: To seal the executive session minutes of February 12, 2014, consistent with Rhode Island general Laws §42-46-4 and §42-46-5 (a)(2) as they involved confidential matters of strategy and discussions with counsel regarding pending litigation against the Retirement Board and pursuant to the confidentiality order imposed by the court..

Lastly, on a motion made by Thomas A. Mullaney and seconded by Frank R. Benell, Jr., to exit executive session and return to open session, it was unanimously

VOTED: To exit executive session and return to open session.

VIII. Committee Reports

Disability Subcommittee:

The Disability Subcommittee recommended the following actions on disability applications for approval by the full Board as a result of its meeting on Thursday, February 6, 2014:

Name	Membership Group	Type	Action
1. Antonio Leite	Municipal	Accidental	Approve
2. Robert Lincourt	Municipal	Accidental	Deny
3. Olga Ortiz	State	Accidental	Approve
4. Damon Borrelli	Municipal	Accidental	Deny
5. Philip Maimoni	State	Accidental	Approve @ 50%
6. Lisa Gallo Rajotte	Teacher	Accidental	Approve @ 50%
7. Brian Browne	Teacher	Ordinary	Approve
8. Belinda Macintyre	Teacher	Ordinary	Approve
9. Lisa Mello	Teacher	Ordinary	Approve
10. Nicholas Decamp	Teacher	Ordinary	Approve

On a motion by William B. Finelli and seconded by Michael R. Boyce it was unanimously

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Thursday, February 6, 2014 on item 3.

John J. Meehan recused himself from the vote on number 3.

On a motion by William B. Finelli and seconded by Michael R. Boyce, it was unanimously

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Thursday, February 6, 2014 on items 6, 9, and 10.

John P. Maguire recused himself from the vote on numbers 6, 9, and 10.

On a motion by William B. Finelli and seconded by Michael R. Boyce it was unanimously

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Thursday, February 6, 2014 on items 1, 2, 4, 5, 7, and 8.

IX. Adjournment

There being no other business to come before the Board, on a motion by John P. Maguire and seconded by Claire M. Newell the meeting adjourned at 10:38 a.m.

Respectfully submitted,

Frank J. Karpinski

Executive Director